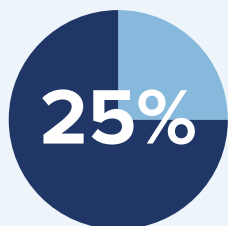
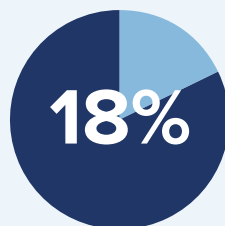


Header bidding first started making headlines about two years ago, when at least one industry publication declared, “The Rise of Header Bidding, The End of the publishers Waterfall.” Back then, header bidding was limited to digital display ads. Now, as header bidding has begun making its way into the video space, it’s become a hot topic again. Yet, despite the growing interest, there is still a lack of understanding about the admittedly complex topic.

According to a survey commissioned by Videology and conducted by Advertiser Perceptions (December 2016):



Just one quarter of digital advertisers say they have a good or very good understanding of what header bidding is...



And only 18% of digital advertisers understand the difference between header bidding in video versus display

This Videology Knowledge Lab outlines everything you need to know about header bidding, especially as it relates to its use in the video advertising.

HEADER BIDDING BASICS

What is header bidding?

Header bidding is a way for a publisher to reach out to multiple demand sources simultaneously, before an ad call is served, to ask for bids. The publisher can then send the ad to the highest bidder among those queried, and therefore, theoretically produce greater yield.

Why was header bidding originally created?

Header bidding was created to increase yield for publishers.

In a dynamic digital advertising ecosystem, publishers often don’t know the true value of their inventory at a given moment. The idea of header bidding was introduced to help them understand their inventory’s value across the whole marketplace, including direct sold and programmatic buyers.

Header bidding allows publishers to put out an ad call to a wider range of sources at once, before making calls to their ad servers, in turn driving better yield management across all inventory sources.

How does it work?

In display advertising, where header bidding originated, Javascript code that sits in the “header” of a site allows a publisher to request bids from a limited number of different “buyers,” which includes direct buyers who purchased from the publisher’s sales team, or programmatic buyers including agencies, DSPs and exchanges.

This means:

- Bids are able to compete head-to-head with a publisher’s direct sold campaigns, whereas typically the RTB buyers would be relegated to the secondary or tertiary tiers of a publisher’s waterfall settings, below all direct buyers.
- Publishers are limited to select only a handful of buyers: since the additional calls can cause latency, publishers are likely to work with a limited number of buyers to request bids via the headers before pushing calls to their SSPs for broader 3rd party outreach.

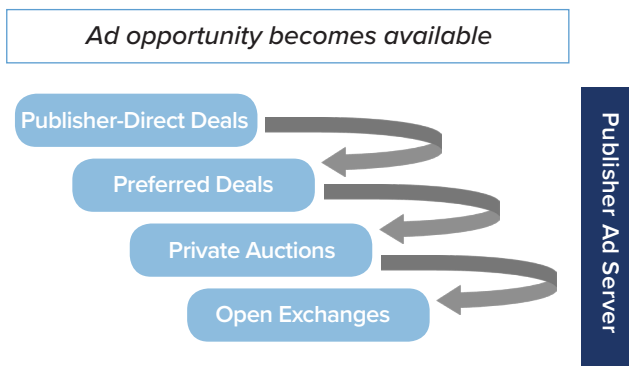
“ Header bidding allows publishers to put out an ad call to a wider range of sources at once...in turn driving better yield management across all inventory sources. ”

DIAGRAM: Display Header Bidding Approach vs. Traditional Waterfall Approach:

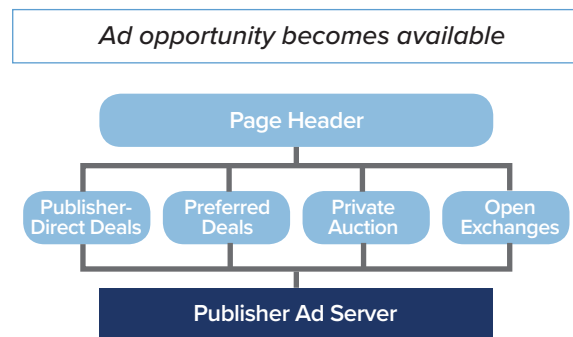
In a waterfall approach, the publisher’s ad server offers an available impression to potential buyers in pre-set, descending order. If the ad is compatible with the required buying specs, the ad is served and the waterfall is over.

In a header bidding approach, the bid requests are sent to select buyers from the header page. Once the highest bid price is determined, the publisher’s ad server issues the call and sends the ad that buyer.

Traditional Waterfall Approach



Header Bidding Approach (Display)



HEADER BIDDING FOR DISPLAY ADVERTISING

In display, there are several benefits to header bidding...

Benefits to Publishers:

As discussed, header bidding provides publishers the opportunity to increase yield by letting multiple demand sources compete evenly for each ad opportunity through a real-time, multi-buyer auction that happens before calling the ad server. In a sense, it levels the playing field among potential demand sources, and gives publishers greater ability to find additional demand sources before asking an SSP to find that demand for them (through exchanges or networks).

Benefits to Advertisers:

For buyers, the goal is always access to the best supply at the best price; header bidding provides increased opportunities to access supply. As the practice grows, since header bidding “seats” with a publisher are limited, advertisers are quick to join in for fear of being left out if their inventory providers switch to header bidding.

For both groups, header bidding can theoretically add transparency by pre-empting the waterfall system, which can lead to lost impressions and a lack of understanding about where an impression originally came from.

There are also challenges for header bidding in display.

The biggest challenge for header bidding is the risk of latency that publishers face. This comes to life in several ways:

- by increasing the page load times
- by slowing how long it takes to get a bid from a bidder
- by taking longer to serve creative

To help quell the speed issue, publishers are increasingly interested in server-side header bidding.

In response to concerns about speed, there is growing traction around the idea of server-side header bidding, which is faster than traditional header bidding because it happens on a remote server, rather than the user's browser; this faster speed means publishers can collect more bids, and therefore increase yield.

There are some challenges inherent to server-side bidding, including the possibility of cookie loss if the SSP's cookie IDs don't match the DSP's cookie IDs. So, it remains to be seen how the practice will play out, and if the right players will coordinate to make it beneficial.

Overall, display header bidding is popular among publishers, who see it as a win.

Overall, it appears that for publishers, the benefits outweigh the concerns; it's estimated that 90% of publishers in the US and UK will have display header bidding in place within the next year. (source: The Drum, Dec 2016)

HEADER BIDDING FOR VIDEO ADVERTISING

Because of its success in display, publishers have begun to explore header bidding in video.

Today, header bidding is more widely used in display than in video, and for good reason. Display advertising is traditionally more exchange-centric, or RTB-driven, than video, so the notion of creating a 'premium exchange' is more natural in that environment.

However, publishers understand the growing need to employ data-driven, audience-based selling strategies in video. As such, they are eager to protect their scarce premium video inventory as it becomes programmatically available. Some are gravitating towards header bidding because it was a strategy that worked to increase yield in the display world.

But video header bidding is still in its very early stages.

According to the recent Videology/Ad Perceptions survey, 12% of advertisers and agencies say they have used header bidding for video in the past.

As for why they are interested in the practice:

51%
say for
better
pricing

50%
say access
to premium
inventory

48%
think it can
provide greater
transparency

A Note About Terminology:

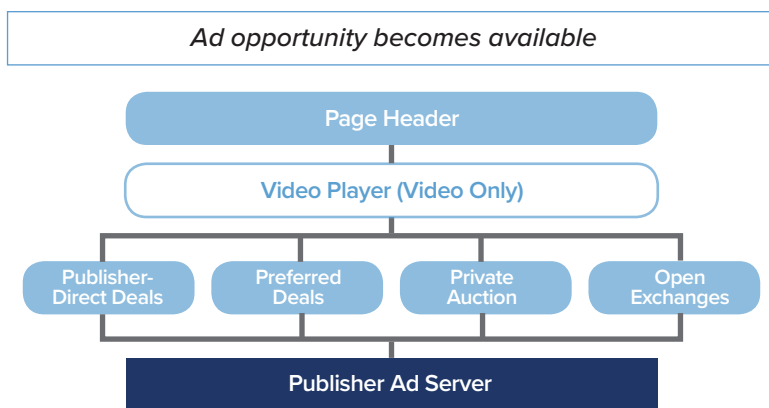
In video, "header" bidding is a misnomer because the ad call comes from a video player, not from a page header. However, for the purposes of this Lab, we'll be using the term as it has become commonplace in the industry to refer to the practice discussed here.

Nevertheless, publishers eager for higher yields have begun exploring header bidding for video, in hopes that advertisers will start to bring their demand on board.

The reality is, header bidding in video isn't the same as header bidding in display...and isn't even really "header" bidding.

In video, the ad call comes from a video player, not from a page header. Therefore, video ad calls have different requirements than the display world. In other words, with video, there is an entire additional layer of technology that needs to be incorporated into the site's ad stack, so the code used in display header bidding needs to be part of the video player, rather than the header itself. The video player then needs to communicate its decision about where to send the ad to the ad server. And while this communication works with some video ad servers, it does not work for others.

DIAGRAM: Header Bidding Approach (Video)



There are both benefits and challenges to header bidding for video.

Through some work-arounds, a version of "header bidding" is possible in video advertising through the video player.

The benefits of using header bidding for video would be similar to those in display advertising, e.g. the ability to have multiple demand sources compete for the same available impression, thus theoretically increasing overall yield for the publisher.

The challenges for using header bidding for video parallel those of display, but at the same time, are much more complex—as video advertising itself requires more complex technological requirements than display (as well as larger files)—and therefore achieving desired results could be more difficult.

Beyond the technological hurdles, many of the challenges are tantamount to the differences between video and display in general—such as constrained inventory and rigorous quality standards. Therefore, publishers interested in adopting a header bidding strategy should ask the following questions:

- What is my ultimate goal in using header bidding?
- Is a bid approach employed at the time of each ad impression the best way to optimize yield for constrained inventory?
- Are there other data-driven, audience-based sales strategies that would produce greater yield (or other objectives)?
- How will header bidding work with my overall strategy to maximize the value of inventory across all channels (mobile, OTT, etc.).

“The challenges for using header bidding for video parallel those of display, but at the same time, are much more complex”

Despite some of these challenges, many publishers are still interested in header bidding.

At Videology, we've been hearing from publishers who are increasingly interested in exploring header bidding as way to increase yield across multiple inventory sources.

VIDEOLOGY'S APPROACH TO VIDEO HEADER BIDDING

Yes, Videology offers technology to enable what is referred to as video header bidding! But, our focus is always on finding the best way to achieve a client's objectives. If header bidding is the best approach to do so, then we work with our clients on both the supply and demand side to implement a header bidding strategy. However, header bidding is just a single point solution which may or may not be the best path towards results.

For clients who come to us seeking a header bidding solution, we would seek to understand what they are hoping to achieve with this strategy. As discussed earlier, the goal of header bidding is generally two-fold: For publishers, the goals are to maximize the value of inventory, and to better manage a portfolio of advertisers; for Advertisers, the goals are to increased transparency and access to premium inventory. These goals can be achieved in various ways.

At Videology, our technology was built upon the philosophy that the way to achieve the greatest results is through a portfolio-level solution that forecasts all expected demand and matches it against all expected supply. Our technology can forecast up to 18 months out, and therefore, our roadmap to achieve guaranteed results for advertisers—or guaranteed yield for publishers—goes beyond looking at the highest bidder available for an individual ad call (the premise of header bidding).

Driving results is our first priority. If you're interested in learning more, please contact solutions@videologygroup.com.



“ You shouldn't look at an existing solution and ask “how can I retrofit that technology to solve my business challenges?” Instead, you should look at your business challenges and ask “how can I work with a technology provider to develop the best possible solution to achieve my goals. ”



Kevin Haley,
Chief Scientist, Videology

About Videology Knowledge Lab

Videology Knowledge Lab is an educational series meant to shed light on the key topics impacting advertisers and agencies in today's video advertising world. These byte-sized pieces will provide definitions, data and straightforward explanations of complicated subjects, to bring simplicity and clarity to an otherwise complicated industry.

For a downloadable version of this information,
please visit www.videologygroup.com/labs